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No. 86-773

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IN THE

Supreme Court of the United States

October Term, 1986

STORA KOPPARBERGS BERGSLAGS AB, UDDEHOLMS AB, UDDEHOLM CORPORATION, KLOSTER SPEEDSTEEL AB, and SPEEDSTEEL OF NEW JERSEY, INC.,
Petitioners,

v.

CRUCIBLE, INC. and CRUCIBLE MATERIALS CORP.,
Respondents.

REPLY TO BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI

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Reasons for Granting the Writ

Respondents Crucible et al. (Crucible) assert "this case will have no effect on other litigants, and no question of major importance is presented." (Page 4 of Brief in Opposition, hereinafter "Opposition") Stora respectfully disagrees. If the Court of Appeals' decision is allowed to stand, those charged with patent infringement will not hereafter be able to rely in good faith upon the rulings of this Court, nor will they be able (as the District Court held was the case here, A 73) to present as defenses "substantial questions upon which there has been genuine debate

and honest disagreement". (District Court Opinion, A 73) Instead they will look to this case and conclude that it is not worth it to fight.[1]

I. The Rule in *General Electric* Is Controlling in this Case

In seeking to avoid the impact of *General Electric* v. *Jewel Incandescent Lamp Co.*, 326 U.S. 242 (1945), and to explain away the Court of Appeals' twisting of that decision, Crucible presents a three-stage argument, i.e.:

1) that Holtz does not disclose hobs,

2) that Holtz therefore does not anticipate Steven, and

3) that *General Electric* applies only to anticipation and not to obviousness.

This argument fails at each stage.

First, Crucible concedes that hobs need only be disclosed in Holtz "expressly or inherently". (Opposition, page 6) Crucible further argues (also at page 6) that Holtz discloses "cutting tools generally and not hobs." As to the disclosure of "cutting tools generally", we have Crucible's own argument made before the PTO[2] that hobs are included in the Holtz disclosure because

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1. Based upon Crucible's damage claim, the Court of Appeals' finding of willful infringement, if not reversed, could *increase* Stora's damage exposure, based upon approximately only thirty million dollars in total sales, by some fifty million dollars.

2. Crucible would have this Court believe that the refusal of the PTO to declare an interference between Holtz and Steven refutes Holtz's disclosure of hobs. The PTO does not declare interferences between commonly owned applications or patents. At the time the interference between Holtz and Steven was denied, and at all times since then, Holtz and Steven were commonly owned by Crucible. The PTO cited the common ownership in refusing to declare the proposed interference.

> it is well known that high speed tool steels are used primarily for cutting tools, such as broaches, chasers, cutters, drills, hobs, reamers, and taps. Accordingly, disclosure of a cutting tool configuration known as a "hob" is believed to be reasonably apparent in the [Holtz] disclosure.

If the disclosure of such cutting tools is not an express disclosure of at least the seven well known types of tools listed by Crucible to the PTO, then it certainly constitutes an inherent disclosure.[3] Either way, the disclosure is there.

Second, since the disclosure of a hob is present in Holtz, Holtz describes every structural and compositional element of Steven except the *General Electric* proscribed recitation "characterized by size change uniformity."

Third and last, even ignoring for the moment the fact that Steven is anticipated, there is absolutely no support for Crucible's argument that

> The rule that recognition of an inherent characteristic is not patentable applies only in the case of anticipation under 35 U.S.C. § 102 and does not apply when the issue is obviousness. (Opposition, page 7)

To the contrary, 35 U.S.C. § 103 brings within its scope the entirety of the 35 U.S.C. § 102 recitations for anticipation:

> A patent may not be obtained though the invention is not identically disclosed or described as set forth in

3. For example, given a prior art disclosure that a device is intended for use in American cars, Crucible apparently would be comfortable arguing that this is not a disclosure of the use of the device in a Buick.

> section 102 . . . if . . . the subject matter as a whole would have been obvious . . .

Moreover, ten of the eleven[4] cases cited by Stora as examples of the progeny of *General Electric* (Petition, page 7) involved the application of the rule in *General Electric* to reach a conclusion of obviousness.

At page 8, Crucible takes us full circle on this issue by arguing

> Although the property of size change uniformity was indeed inherent in the alloy disclosed in the Holtz patent, this was neither known nor obvious to those skilled in the art.

This is the very argument disposed of by *General Electric* over forty years ago.

II. Stora's Infringement Was Not Willful

Crucible argues that the Court of Appeals' finding of willful infringement was "only a routine Rule 52(a) review."

In actuality the Court of Appeals' review was anything but routine, and it did not comply with Rule 52(a). As noted above, the District Court specifically found that there was "genuine debate" and "honest disagreement". The District Court also alluded to the "protracted and checkered history of this matter in the PTO", which history included the fact that, up until April 25, 1984, over a year and a half after the District Court trial, the Holtz claims stood rejected for inequitable conduct based on Holtz's

4. The exception is *W. L. Gore & Associates, Inc.* v. *Garlock Inc.*, 721 F.2d 1540 (Fed. Cir. 1983).

failure to cite Comstock et al.[5] None of these findings were even mentioned by the Court of Appeals, much less found to be clearly erroneous.

Incredibly, Crucible relies on the statement in *Rolls Royce Ltd.* v. *GTE Valeron Corp.*, 800 F.2d 1101, 1110 (Fed. Cir. 1986) that

> where two interpretations are permissible, this court must not substitute its evalution of testimony for that of the district court

as support for its assertion that "the Federal Circuit does not require instruction on the proper interpretation of Rule 52(a)." Clearly, in *Dennison Manufacturing* v. *Panduit Corp.*, —— U.S. ——, 106 S.Ct. 1578 (1985), this Court thought otherwise. Even more important, the Court of Appeals did here just what it acknowledged in *Rolls Royce* it must not do. It picked up the Hellman memorandum, and based upon its own interpretation thereof and without the benefit of Hellman's live testimony at trial, concluded that Stora's infringement was willful.

III. The Court of Appeals Condoned the District Court's Failure to Consider the Disclosure of Reen Figure 2

Crucible asserts (Opposition, page 13) that as to Reen Figure 2, the Court of Appeals

> merely held that the District Court had not clearly erred when it found as a fact, after considering all the

5. Crucible argues that the PTO proceeding concerning the citation of Comstock et al. occurred "long after petitioners commenced their infringement." (Opposition, page 12). Crucible ignores the District Court's specific finding that as soon as Stora was charged with potential infringement in 1972 (before the Holtz patent issued), "they replied that the patents in question were invalid because of Comstock". (A 73)

> evidence, including expert testimony on both sides of the question, that nothing in the *Reen* patent discloses the actual size of the carbides.

What actually happened was that the District Court held, without explanation or reference to evidence of any kind, that

> while *Reen* suggested full density and uniform distribution of carbides, there is nothing in *Reen* which indicates the actual size of the carbides. (A 51)[6]

When Stora appealed this clearly erroneous and unsupported holding as to Reen's purported failure to disclose carbide size, it was rebuffed by the legal conclusion here presented for review, i.e.

> That a defendant may when sued so measure a photograph as to match one limitation relating to size does not establish anticipation. (A 103)

Crucible does not, and cannot, argue that the above quoted statement by the Court of Appeals is correct. It merely asserts that it is not appropriate for review. Stora respectfully disagrees.

Crucible contends further (Opposition, pages 14-15) that the etchant employed by Reen made it impossible to determine carbide size and that Stora's expert "admitted the presence of carbides larger than three microns".

With respect to the etching argument, the District Court compared samples subjected to the etchant used by Reen

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6. This holding as to Reen's disclosure of full density and uniform carbide distribution is also dispositive of Crucible's argument (Opposition, page 13) that the "district court found that *Reen* did not disclose the requisite combination of full density and fine, uniformly dispersed carbides."

with samples not so subjected and found no change in size as a result of etching. Regarding carbide size, the expert for Stora testified with respect to Reen "with maybe two, one or two exceptions, the carbides are of three microns or less", which readily conforms to the "substantially entirely" terminology of the claims.

IV. The Court of Appeals Has Abdicated its Duty to Establish Consistency and Predictability in Patent Cases

Crucible virtually concedes that the decision by the Federal Circuit in the present case is in conflict with another recent decision of the Federal Circuit, *A. B. Dick Co.* v. *Burroughs Corp.*, 798 F.2d 1392 (Fed. Cir. 1986). According to Crucible, the Federal Circuit's Rule 19(a) relating to rehearing *in banc* is the only appropriate remedy for such an intra-Court conflict, and that the very existence of Rule 19(a) makes it unecessary for this Court to become involved.

Were the Federal Circuit's jurisdiction defined geographically, the patent system perhaps could live with some uncertainty within the Federal Circuit or some other circuit. However, the Federal Circuit's jurisdiction is not so defined. Instead it has exclusive jurisdiction, *inter alia*, over all patent infringement actions, and conflicts between its own decisons are, if anything, more disruptive than conflicts among the several circuits. Since the Federal Circuit Court denied Stora's petition for rehearing *in banc*, review by this Court is necessary and appropriate.

Crucible further argues (Opposition, page 17) that the District Court found that the failure to cite Comstock et

al. was neither fraudulent nor improper "because the Comstock et al. patent was not more pertinent than the *Reen* patent." These words—i.e. "no more pertinent"—took on a different meaning when used by Crucible in arguments made to the PTO in a later Holtz continuation application:

> It is also applicant's considered opinion that of the . . . references [including Reen], *no* reference is *more pertinent* to this application than Comstock et al. . . .". (Emphasis added)

Crucible now contends (Opposition, page 19) that its PTO argument, i.e., "no reference is more pertinent . . . than Comstock et al.", is "fully consistent with the cumulative nature of *Comstock et al.* in view of *Reen.*" This glib assertion borders on the disingenuous.

Finally, Crucible acknowledges (Opposition, page 18) that the Federal Circuit in *A. B. Dick* found conclusive as to inequitable conduct that (1) the applicant admitted that he considered the references relevant and important, and (2) the examiner had not been demonstrated to be unreasonable in considering the withheld references to be important. According to Crucible, "[n]either observation applies here."

Having argued that "no reference is more pertinent", Crucible cannot now assert that *A. B. Dick* observation (1) is not present here. As to observation (2), the examiner's statement that Comstock 'is closer than any of the prior art considered during the prosecution of . . . [Holtz]" is entirely consistent with Crucible's own argument. Crucible cannot, therefore, be heard to contend that the examiner was unreasonable in this case.

Conclusion

In view of the foregoing, it is respectfully submitted that the arguments presented by Crucible, when properly scrutinized, actually support the granting of Stora's petition.

Respectfully submitted,

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